

---

## FISCAL TOPICS

Fiscal Services Division

August 31, 2018



---

Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## Tax Credit: Biodiesel Production Credit

The Biodiesel Production Credit is available to qualified producers of biodiesel. The credit is equal to \$0.02 per gallon of pure biodiesel produced in the State. A single producer is limited to no more than \$500,000 in production credits each year. The tax credit is paid by the Department of Revenue through a sales tax refund process. The production credit expires at the end of calendar year (CY) 2024.

### Tax Credit Background

- Enabling Legislation: 2011 Iowa Acts, chapter [113](#) (Motor Fuels Regulation, Dispensing, and Tax Credit Act)
- Iowa Code Citations:
  - Section [423.4\(9\)](#) – Sales and Use Tax Refund and Program Description
  - Section [422.7\(54\)](#) – Individual Income Tax
  - Section [422.35\(25\)](#) – Corporate Income Tax
- Administrative State Agency: Iowa Department of Revenue
  - Sunset Date: January 1, 2025
  - Transferable: No
  - Refundable: Yes
  - Carryforward: None
  - Tax Review Committee Review Year: None

### Legislative History

As originally enacted in 2011, the Biodiesel Production Credit was available for gallons produced during three years, January 1, 2012, through December 31, 2014. The credit equaled \$0.030 for CY 2012, \$0.025 for CY 2013, and \$0.020 for CY 2014. In 2014 legislation, the Credit was extended to the end of CY 2018 at a rate of \$0.020 per gallon. In 2016, the \$0.020 per gallon credit was extended to its current sunset at the end of CY 2024.

The production credit is defined in Iowa Code section [423.4\(9\)](#) as a sales/use tax refund. However, the biodiesel producer is not required to have had any sales/use tax liability for the year in order to qualify for and redeem the sales/use tax refund. The credit may also be redeemed through the individual and/or corporate income tax filing process.

### Tax Credit Review, Usage, and Future Liability

According to the Iowa Biodiesel Board, there are 13 operational biodiesel plants in Iowa with a combined annual production capacity of 397.0 million gallons. Over the first six years of availability, Biodiesel Production Credit awards represent approximately 190.0 million gallons of annual biodiesel production.

No periodic, formal review of the Biodiesel Production Credit is conducted. The Credit is not part of the review schedule of the Tax Expenditure Study Committee and it is not included in the Department of Revenue Contingent

---

### More Information

Department of Revenue Biodiesel Credit Rules:

[legis.iowa.gov/docs/iac/rule/701.250.1.pdf](http://legis.iowa.gov/docs/iac/rule/701.250.1.pdf)

Iowa Biodiesel Board: [iowabiodiesel.org/en/iowa\\_biodiesel/iowa\\_biodiesel\\_plants](http://iowabiodiesel.org/en/iowa_biodiesel/iowa_biodiesel_plants)

Legislative Services Agency Sales and Use Tax Guide: [legis.iowa.gov/docs/publications/LG/15813.pdf](http://legis.iowa.gov/docs/publications/LG/15813.pdf)

LSA Staff Contact: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)

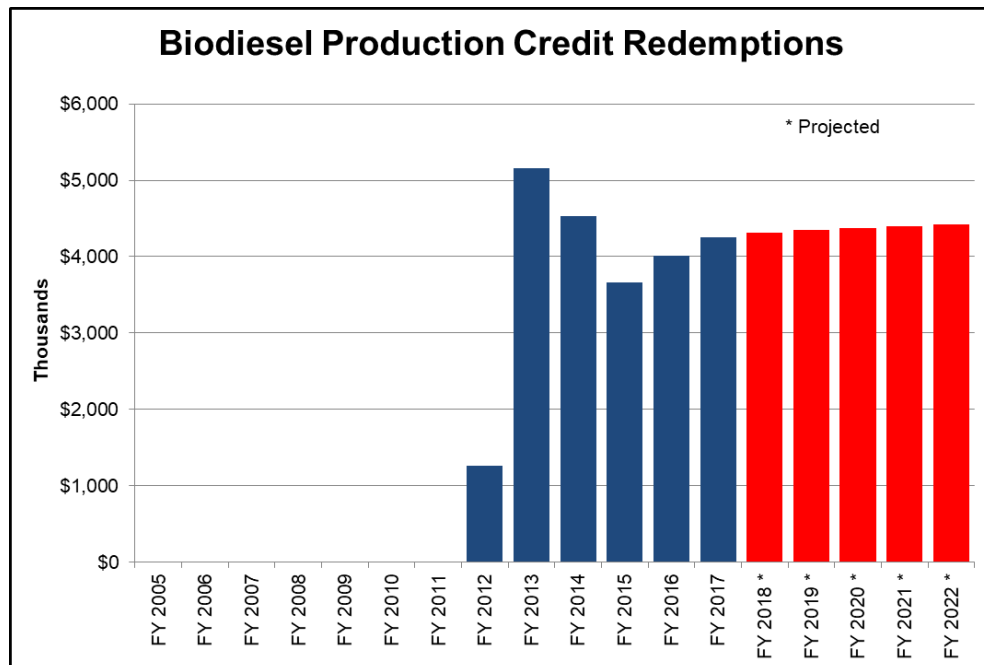
---

[www.legis.iowa.gov](http://www.legis.iowa.gov)

## Liability Report.

The following table and chart are based on periodic updates made available by the Department of Revenue to the Revenue Estimating Conference.

| <b>Biodiesel Production Credit History</b> |                           |           |                           |
|--|---------------------------|-----------|---------------------------|
| * Projected                                |                           |           |                           |
| Year                                       | Tax Credit<br>Redemptions | Year      | Tax Credit<br>Redemptions |
| FY 2005                                    | \$ 0                      | FY 2014   | \$ 4,530,000              |
| FY 2006                                    | 0                         | FY 2015   | 3,660,000                 |
| FY 2007                                    | 0                         | FY 2016   | 4,010,000                 |
| FY 2008                                    | 0                         | FY 2017   | 4,250,000                 |
| FY 2009                                    | 0                         | FY 2018 * | 4,310,000                 |
| FY 2010                                    | 0                         | FY 2019 * | 4,350,000                 |
| FY 2011                                    | 0                         | FY 2020 * | 4,370,000                 |
| FY 2012                                    | 1,260,000                 | FY 2021 * | 4,400,000                 |
| FY 2013                                    | 5,160,000                 | FY 2022 * | 4,420,000                 |



969961